Response to the Honorable Gus Bilirakis from the June 26, 2013, hearing entitled "A 21st Century Medicare: Bipartisan Proposals to Redesign the Program's Outdated Benefit Structure."
Dr. Tricia Neuman

Congressman Bilirakis, you raise an important point about price transparency. In general, it is not easy for patients to anticipate the cost of a given medical service before they receive it – either the cost they are likely to incur out-of-pocket or the cost that will be paid by insurers, such as Medicare.   Under traditional Medicare, the use of coinsurance rates, rather than copayments, makes it especially challenging for beneficiaries to calculate their own liability, primarily because they would first need to know the underlying cost of a given service allowable under Medicare, before calculating their share of that total fee.

Introducing copayments for services covered under Medicare Parts A and B, rather than coinsurance rates, would make it easier for beneficiaries to anticipate the costs they are likely to incur for a given service, such as a physician visit or diagnostic test.   Several recent proposals would restructure the Medicare benefit design in a manner that would replace current law coinsurance rates with copayments for various services. MedPAC, for example, suggested a benefit design that included fixed copayments for inpatient stays, physician visits (with higher copayments for specialty than primary care), post-acute care and other services.   The Bipartisan Policy Center recommended a similar benefit design that relied more heavily on copayments than coinsurance.   Such copayments would make it substantially easier for people on Medicare to anticipate their costs before they receive medical attention.

Additional steps would be needed to provide people on Medicare with information about the *total* cost of their care -- before they receive various services and treatments. Today, it is very difficult for beneficiaries to obtain this information. The shift from coinsurance to copayments would do little to achieve this objective.